

## **PUBLIC EMPLOYEES RETIREMENT BOARD MEETING**

September 19, 2005

8:30 A.M.

A regular meeting of the Public Employees Retirement Board convened at 8:30 a.m., Monday, September 19, 2005, in the TierOne Community Meeting Room at 1221 N Street, Lincoln, Nebraska.

The Board members were notified of this meeting by letter dated September 9, 2005. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday September 12, 2005. Mr. Peters chaired the meeting and Ms. Linder recorded the minutes.

### **MEMBERS PRESENT:**

CHARLES PETERS, CHAIR  
JULIA MOELLER, VICE-CHAIR  
DENIS BLANK  
WILLIAM HASTINGS  
ROGER REA  
DALE KAHLA  
MARK SHEPARD  
GLENN ELWELL  
CAROL KONTOR, EX-OFFICIO

### **NONMEMBERS PRESENT:**

ANNA SULLIVAN  
Director  
BEN MATTERN  
Ameritas  
MARY JOCHIM  
Sterling Financial Advisors  
JOE SCHAEFER  
Legal Counsel  
TERESA ZULAUF  
Internal Auditor  
JANE HANSEN  
Retirement Plan Supervisor

JASON HAYES  
Legislative Retirement Counsel  
CINDY JANSSEN  
State Auditor's Office  
PERRY PIRSCH  
State Auditor's Office  
JAN FOX  
Training Supervisor  
RANDY GERKE  
Accounting and Finance Manager  
SHEILA LINDER  
Administrative Assistant

**Agenda Items 1 and 2 - Meeting Called to Order:** Chairperson Peters called the September 19, 2005, Board Meeting to order at 8:32 a.m. Present at roll call: C. Peters, J. Moeller, D. Blank, W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, and C. Kontor.

**Agenda Item 3 - Approval of Minutes:** Mr. Rea moved that the minutes of the August 14 and 15, 2005, Board Meeting and Retreat be approved. Motion was seconded by Mr. Blank. Members voted as follows: For: J. Moeller, D. Blank, W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, and C. Peters. Against: None. Motion carried.

**Agenda Item 4 - Approval of Budget Status Report & August Retirement Report:** Ms. Moeller moved to approve the budget status report and the August Retirement Report. Motion was seconded by Judge Hastings. Members voted as follows: For: D. Blank, W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, C. Peters, and J. Moeller. Against: None. Motion carried.

**Agenda Item 5 - Public Comments or Correspondence from Citizens:** There were no public comments or correspondence from citizens with business not scheduled on the agenda.

**Agenda Item 6 - Resolution in Recognition of Dale Rathe:** Mr. Peters announced the Board was provided a letter from Dale Rathe, a school retiree, at the August meeting informing the Board that Mr. Rathe would no longer be attending the Board meetings. Mr. Rathe has worked with the NSEA school retiree group and has been attending the Board meetings for several years. Ms. Sullivan visited with Mr. Rathe, but he was unable to attend the meeting today. A certificate of appreciation was prepared and will be sent to Mr. Rathe. Mr. Rea moved to adopt the Resolution of Appreciation. Ms. Moeller seconded the motion. Members voted as follows: For: W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, C. Peters, J. Moeller, and D. Blank. Against: None. Motion carried.

**Agenda Item 7 - Review Board Rules & Regulations/Updates:** Draft copies of Rules 4, 11, 15, 24, and a new chapter on plan participation were provided in the Board packets. Mr. Schaefer noted the Rules are in first draft form. The Board members provided input on changes and asked for clarification on the rules. The Policy and Planning Committee will meet with Mr. Schaefer and Ms. Sullivan, and Mr. Schaefer will obtain staff's feedback. He will then finalize the Rules and get them in line so there is no conflict with procedures in the office. This item will be placed on the Agenda for the October Board Meeting.

**Agenda Item 8 - Review of Board Policies/Updates:** Policies No. 1, 5, 6, 10, 12, 13, and 14 were provided to the Board members. Ms. Sullivan reviewed the changes made to the policies. The Board provided their input and suggested changes.

Mr. Blank moved to accept the board policies with the changes agreed to today. Mr. Kahla seconded the motion. Members voted as follows: For: R. Rea, D. Kahla, M. Shepard, G. Elwell, C. Peters, J. Moeller, D. Blank, and W. Hastings. Against: None. Motion carried.

The Board took a break at 10:00 a.m. and reconvened at 10:17 a.m. Mr. Blank left the meeting during the break.

**Agenda Item 9a - Investment Council Update:** Ms. Kontor reported the Investment Council met August 23 in Imperial, Nebraska. This was Ken Green's last meeting as Chair. The Governor has named Gail Werner-Robertson as the new Chair. The Governor has appointed

John Maginn the replacement for Mr. Green. The appointment will need to be approved by the Legislature. He will come on board in November.

The Investment Council reviewed the second quarter performance report. The quarter-to-date has been good. The primary investment item that was addressed at the meeting was a review of Fixed Income Funds.

The Investment Council has also been looking at policies. They addressed corporate governance. The Council is going to create a standing audit committee.

Ms. Kontor also updated the Board on the Investment Council Commission Recapture Policy. Annually, Ms. Kontor reports on the proxy voting, which includes each manager's proxy voting policy and the proxy voting record. This information is available if the Board would ever want to review it.

Ms. Kontor announced that she has asked the Investment Council to start a search for a replacement for her. She will stay on until her replacement is found or until May 31, 2006. A subcommittee has been named to work with Ms. Werner-Robertson to find a replacement.

**Agenda Item 9b - Director's Report:** Ms. Sullivan reported that with the plan years ending June 30<sup>th</sup> for the School, Judges, and Patrol plans, information has been provided to our actuary for the annual valuation reports. It is possible that he will have draft reports to us by the October Board meeting. Final results will be presented at the November meeting. We had 9.6% return on the DB assets and she has provided this information to the Governor's Budget Office and the Legislative Fiscal Office.

Mr. Gerke is assisting with the oversight of the IT area. There is a report to the Appropriations Committee due in December on our progress for the IT area.

The managers held a retreat on Monday, September 12th. Staff from State Personnel assisted in the retreat and conducted a survey of our entire office staff prior to the retreat. The managers reviewed the results at the retreat and with staff at the monthly Agency Meeting. One of the trends was communication that needs to be improved between Management and staff.

Ms. Sullivan also has been working with a professor at UN-L who is doing a study of our state and county retirees. If they obtain a grant, they will do a study on how these retirees have fared since retiring.

The Education Services area has completed a video that has been placed on our website. They will be working on another video on the Retirement 101 sessions. The Staff has contacted HHSS, Corrections, and Department of Education about setting up Retirement 101 Sessions for State employees.

Calls increased this month due to the annual School, Judges, and State Patrol statements being mailed. The Benefits area processed 258 school retirements, 104 State and 39 County distributions with eight annuities during the month of August.

The State and County audit is in the process of being finalized. There was a meeting of the Board Audit Committee this past week. Ms. Zulauf organized the response, which has been submitted to the Auditors. We expect the report at the October Meeting. The School, Judges, and Patrol audit will start next week.

The new Investor Select Fund for State and County members was up and going as of September 6, 2005.

Mr. Rea asked about the timeframe to update the rule and regulation on compensation. Mr. Schaefer said he will be addressing this rule in the future. The Board discussed the problems, options, and effects of how compensation is handled by all schools when calculating compensation so that it is uniform across the state. Mr. Schaefer and Ms. Sullivan will look at what they can do, to see if our rule can be further defined to include more details.

Mr. Hayes stated the hearings on the interim studies will probably be held in early December.

Mr. Rea moved to accept the Director's report. Sgt. Elwell seconded the motion. Members voted as follows: For: D. Kahla, M. Shepard, G. Elwell, C. Peters, J. Moeller, W. Hastings, and R. Rea. Against: None. Motion carried.

**Agenda Items 10 and 11 - Executive Session:** At 11:28 a.m., Judge Hastings moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing disability applications and emergency deferred compensation applications from plan members, a repayment issue, and other pending legal matters. Motion was seconded by Ms. Moeller. Members voted as follows: For: M. Shepard, G. Elwell, C. Peters, J. Moeller, W. Hastings, R. Rea, and D. Kahla. Against: None. Motion carried.

At 12:55 p.m., Ms. Moeller moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by Judge Hastings. Members voted as follows: For: G. Elwell, C. Peters, J. Moeller, W. Hastings, R. Rea, D. Kahla, and M. Shepard. Against: None. Motion carried.

Judge Hastings moved for approval of the eight disability applications (D. Davis, E. Kucera, C. Bartek, B. Huff, C. Frahm, R. Klusaw, C. Wisdom, and D. Rodgers. Mr. Rea seconded the motion. Members voted as follows: For: C. Peters, J. Moeller, W. Hastings, R. Rea, D. Kahla, M. Shepard, and G. Elwell. Against: None. Motion carried.

Mr. Rea moved for approval of the Emergency Deferred Compensation Application of D. Davis pending review of the plan documents. Mr. Kahla seconded the motion. Members voted as follows: For: J. Moeller, W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, and C. Peters. Against: None. Motion carried.

Mr. Rea moved to approve the repayment schedule for M. Hunter as outlined in the August 19, 2005, letter to the member. Sgt. Elwell seconded the motion. Members voted as follows: For: W. Hastings, R. Rea, D. Kahla, M. Shepard, G. Elwell, and C. Peters. Against: J. Moeller. Motion carried by vote of six to one.

**Agenda Items 12 – Future Meetings/Agendas/Joint Meeting with Investment Council:**

Mr. Rea and Ms. Kontor will not be present for the October meeting. The State and County Audit report will be on the agenda, along with a technology update/report, follow-up on the Rules and Regulations, and Manager and Employee of the Year recognition. Ms. Sullivan stated she had started to look at the RFP for the State and County Recordkeeping Contract. Rather than issue a new RFP and go through the bidding process, she is considering renewing the contract with Ameritas. The Board concurred if we are not required to go through the bidding process, she should go ahead and work with Ameritas to renew the contract for another five years. Ms. Sullivan also noted that the past couple of years we have invited member groups to address the Board in the fall.

The next meeting will be held on Monday, October 17, 2005, in the TierOne Community Meeting Room at 1221 N Street.

Ms. Sullivan reminded the Board that the November 14, 2005, meeting will be the Joint Meeting with the Investment Council.

**Agenda Item 13 - Comments:** Ms. Moeller thanked everyone for their care and concern over the past few months.

Sgt. Elwell stated he and Mr. Blank met last week on the state and county audit with Ms. Zulauf and Ms. Sullivan and was impressed with the timeliness and professionalism of Ms. Zulauf and Ms. Sullivan in dealing with this matter.

Mr. Peters and Ms. Sullivan cancelled the reservations for the NCTR Annual Conference this year due to the relocation of the conference because of Hurricane Katrina.

**Agenda Item 14 - Adjournment:** Mr. Rea moved that the meeting adjourn. Motion was seconded by Mr. Kahla. Members voted as follows: For: R. Rea, D. Kahla, M. Shepard, G. Elwell, C. Peters, J. Moeller, and W. Hastings. Against: None. Motion carried.

The meeting adjourned at 1:25 p.m.

Anna J. Sullivan  
Director